

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 NEA-10 ADP-00 L-03

AID-20 CEA-02 CIAE-00 COME-00 FRB-02 INR-10 IO-13

NSAE-00 RSC-01 OPIC-12 TRSE-00 CIEP-02 LAB-06 SIL-01

OMB-01 PM-07 NSC-10 SS-15 H-03 PRS-01 INT-08 SCEM-02

RSR-01 /204 W

----- 054657

R 251145Z AUG 73

FM AMEMBASSY ROME

TO SECSTATE WASHDC 0412

INFO AMEMBASSY BRASILIA

AMEMBASSY TRIPOLI

AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

AMEMBASSY STOCKHOLM

AMEMBASSY VIENNA

AMEMBASSY TOKYO

C O N F I D E N T I A L ROME 8685

E.O. 11652: GDS

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TAGS: ENRG, IT, LY

SUBJECT: ITALIAN PURCHASES NATIONALIZED OIL

REF: STATE 167569

1. SUMMARY. MINISTRY FONAFF WILL DO WHAT IT CAN TO STOP ANIC/ENI PURCHASES OF BUNKER HUNT CRUDE BUT IS NOT OPTIMISTIC. ITALIAN COURT DECISION AGAINST BP LAST MARCH CREATES PRESUMPTION SUCH PURCHASES ARE LEGAL AND HANDICAPS MFA EFFORTS. END SUMMARY.

2. ECON/COMM MIN CALLED ON RICIULLI, ACTING DIRGEN FOR ECON AFFAIRS, MIN FONAFF ON EVENING AUG 24 TO EXECUTE DEMARCHE INSTRUCTED IN REFTTEL. (EMB HAD NO EARLIER NOTICE OF BUNKER HUNT SUITS AGAINST ANIC/ENI. MONTEDISON OR PRIVATE ITALIAN OIL COMPANIES.)

3. ECON/COMM MIN MADE FULL EXPOSITION OF US VIEWS ON BUNKER HUNT NATIONALIZATION. HE STRESSED IN PARTICULAR THAT PARTICIPATION OF STATE-OWNED ENTITIES SUCH AS ENI/ANIC IN LIBYAN SALES OF NATIONALIZED BH CRUDE IS PARTICULARLY TROUBLESOME DEVELOPMENT SINCE LARG COULD INTERPRET THIS (A) AS INDICATION OF INDIFFERENCE CONSUMING COUNTRIES TO LIBYAN NATIONALIZATIONS OR (B) AS SIGN THAT LARG PRESSURES ARE CAUSING RAPID MOVEMENT TOWARD BREAKDOWN ANY CONSUMER SOLIDARITY. EITHER INTERPRETATION REINFORCES LARG CONFIDENCE IN ITS ABILITY TO GO FURTHER.

4. NOTING THAT HE WAS SPEAKING WITHOUT INSTRUCTIONS, ECON/COMM MIN ADDED THAT ENI/ANIC PURCHASES ARE TAKING PLACE AT TIME WHEN LARG AND MAJORS ARE MOVING TO CONFRONTATION WITH DISTINCT POSSIBILITY OF SHUTDOWN MOST LIBYAN PRODUCTION AND ENSUING DIFFICULT SUPPLY SITUATION WHICH COULD TEST CONSUMERS WILL TO COOPERATE. ENI/ANIC OPERATION SEEMED LIKE A BAD BEGINNING FOR WHAT COULD BE TEST CASE WHICH IF FAILED WOULD HAVE IMPLICATIONS FOR ALL-OVER RELATIONS BETWEEN CONSUMERS.

5. RICIULLI IN REPLY MADE FOLLOWING POINTS:

A. HE CAUTIONED THAT EVEN IF HIS MINISTRY ACCEPTED FULLY US VIEWS, ENI IS INDEPENDENT ENTITY NOT SUBJECT ANY DIRECT MFA CONTROLS AND WITH HISTORICAL BACKGROUND OF MAKING ITS OWN DECISIONS.

B. QUESTION OF PURCHASES OF NATIONALIZED BP OIL HAS ALREADY BEEN CONFIDENTIAL

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DECIDED IN ITALIAN COURTS AGAINST BP (ROME A-159, MARCH 19). FACT THAT BP HAS APPEALED (ROME A-290, MAY 31) DOES NOT ALTER PRESUMPTION BY PURCHASERS THAT SUCH SALES ARE IN FACT LEGAL.

C. US INDEPENDENTS, LIKE ITALIAN, ARE PURCHASING NATIONALIZED CRUDE; PRESUMABLY IN EXPECTATION THEY CAN WIN SUITS AGAINST THEM.

D. WHILE COURT DECISION "PUTS WIND INTO ENI'S SAILS," MFA RECOG-

NIZES THAT THERE ARE ISSUES AND PRECEDENTS INVOLVED AND WILL DO ALL IT CAN TO DO SOMETHING ABOUT THE SITUATION.

6. ECON/COMM MIN EMPHASIZED TO RICIULLI THAT ISSUE INVOLVED IN ENI/ANIC PURCHASES (AND PROBABLY MONTEDISON AS WELL, ALTHOUGH DEGREE GOI CONTROL IS LESS CLEAR) IS FOREIGN POLICY QUESTION GOING BEYOND LEGAL TECHNICALITIES OF COMMERCIAL PURCHASES. RICIULLI SAID HE UNDERSTOOD THIS POINT, THIS HIS MINISTRY IS SYMPATHETIC, AND THAT WE COULD COUNT ON MFA TO DO WHAT IT CAN TO RESPOND TO US DEMARCHE.

7. COMMENT. INABILITY TO CONTROL ENI IS FAMILIAR THEME OF MFA AND MINISTRY INDUSTRY. WHILE SOMETIMES USED TO EXCUSE GOI ACCEPTANCE ENI POLICIES, THERE IS UNFORTUNATELY MUCH TRUTH IN SITUATION. WITH MONEY, POLITICAL CONNECTIONS AND A DOCTRINE OF ITALIAN INTERESTS WHICH IS CONVERGENT (IF NOT IDENTICAL) WITH VIEWS OF MANY IN GOVT, ENI IS HARD TO CONTROL FROM THE OUTSIDE. WE EXPECT THAT RICIULLI WAS SINCERE BUT REMAIN SKEPTICAL THAT MFA WILL HAVE IMMEDIATE INFLUENCE ON ENI POLICIES. VOLPE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 25 AUG 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: hilburpw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973ROME08685
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS VOLPE
Errors: N/A
Film Number: n/a
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730815/aaaaakss.tel
Line Count: 134
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: STATE 167569
Review Action: RELEASED, APPROVED
Review Authority: hilburpw
Review Comment: n/a
Review Content Flags:
Review Date: 12 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12-Sep-2001 by martinml>; APPROVED <24-Sep-2001 by hilburpw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ITALIAN PURCHASES NATIONALIZED OIL
TAGS: ENRG, IT, LY
To: n/a
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005